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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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757	7590	05/17/2005	EXAMINER	
BRINKS HOFER GILSON & LIONE P.O. BOX 10395 CHICAGO, IL 60610			PASS, NATALIE	
			ART UNIT	PAPER NUMBER
			3626	

DATE MAILED: 05/17/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

<b>Office Action Summary</b>	<b>Application No.</b>	<b>Applicant(s)</b>	
	09/524,189	KRUTTER ET AL.	
	<b>Examiner</b>	<b>Art Unit</b>	
	Natalie A. Pass	3626	

**-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --**

**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 18 January 2005 and 18 February 2005.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 1-20 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-20 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- \* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)  | 4) <input type="checkbox"/> Interview Summary (PTO-413)<br>Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)                                   | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152)             |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)<br>Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____  |

## **DETAILED ACTION**

### ***Notice to Applicant***

1. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on 18 January 2005 and 18 February 2005 have been entered.
2. This communication is in response to the Request for Continued Examination and amendment filed 18 January 2005 and to the response filed 18 February 2005. Claims 1-2, 4, and 10 have been amended. Claims 12-20 have been newly added. Claims 1-20 remain pending.
3. The Notice of Non-Compliant Amendment mailed 3 February 2005 has been withdrawn due to the amendment filed 18 February 2005

### ***Specification***

4. The amendment filed 18 February 2005 is objected to under 35 U.S.C. 132 because it introduces new matter into the disclosure. 35 U.S.C. 132 states that no amendment shall introduce new matter into the disclosure of the invention. "New matter" constitutes any material which meets the following criteria:

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a) It is added to the disclosure (either the specification, the claims, or the drawings) after the filing date of the application, and

b) It contains new information which is neither included nor implied in the original version of the disclosure. This includes the addition of physical properties, new uses, etc. The added material which is not supported by the original disclosure is as follows:

- "calculating by the computer a fixed dividend based on the stored values of the assets and liabilities, wherein said dividend is calculated by the computer as a percentage of estimated allowed mature claims, the percentage being a function of said stored values and a reinsurer risk factor" as disclosed in claim 1, lines 8-11; and
- "by multiplying the reinsurer risk factor to the reinsurers' obligations" as disclosed in claim 2, lines 4-5.
- "determining the reinsurers' obligations for each scenario" and "determining a probability weighted expected present value of the reinsurers' obligations", as disclosed in claim 15, lines 2 and 4, claim 17, lines 3 and 5-6;, and claim 20, lines 4-5 and 6, respectively;

In particular, Applicant does not point to, nor was the Examiner able to find, any support for this newly added language within the specification as originally filed on 13 March 2000. As such, Applicant is respectfully requested to clarify the above issues and to specifically point out support for the newly added limitations in the originally filed specification and claims.

Applicant is required to cancel the new matter in the reply to this Office Action.

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5. If Applicant continues to prosecute the application, revision of the specification and claims to present the application in proper form is required. While an application can be amended to make it clearly understandable, no subject matter can be added that was not disclosed in the application as originally filed on 13 March 2000.

*Claim Rejections - 35 USC § 112*

6. The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

7. Newly amended claims 1-2, claim 3, and newly added claims 12-15, 17, and 20 are rejected under 35 U.S.C. 112, first paragraph, as containing subject matter which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention.

(A) Claims 1, 2, 15, 17, and 20 recite limitations that are new matter, as discussed above, and are therefore rejected.

(B) Claims 3, 12-15 incorporate the features of independent claim 1, through dependency and are also rejected.

***Claim Rejections - 35 USC §101***

8. The rejection of claims 1-11 under 35 U.S.C. 101, because of non-statutory subject matter is hereby withdrawn due to the amendment filed 18 February 2005.

***Claim Rejections - 35 USC § 103***

9. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

10. Claims 1-3 are rejected under 35 U.S.C. 103(a) as being unpatentable over King et al., U.S. Patent Number 5, 704, 045 in view of Schwab, S., "Reinsurer Liability For Contingent Claims," The International Journal Of Insurance Law 1997, Vol 4, pp 28-39; 175-178, hereinafter known as Schwab, for substantially the same reasons given in the previous Office Action (paper number 07012004), and further in view of Hall, R., "Alternatives to Estimation of Claims and Acceleration of Reinsurance Recoverables: The Uniform Receivership Law," (1999), URL:< <http://www.robertmhall.com/articles/k.htm>>, hereinafter known as Hall. Further reasons appear hereinbelow.

(A) Claim 1 has been amended to include the recitation of

- ♦ "implemented with a computer" in line 1;

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- ♦ "with the computer" in line 4;
- ♦ "said assets including reinsurers' obligations associated with the liabilities" in lines 6-7;
- ♦ "calculating by the computer a fixed dividend based on the stored values of the assets and liabilities, wherein said dividend is calculated by the computer as a percentage of estimated allowed mature claims, the percentage being a function of said stored values and a reinsurer risk factor" in lines 8-11; and
- ♦ "when said allowed claims mature" in line 13.

(A) As per newly amended claim 1, King teaches a method implemented with a computer of paying an insolvent Insurance Company's liabilities through a reinsurance agreement or other indemnification arrangements, comprising:

a) estimating with the computer values of an Insurance Company's assets and liabilities and storing said values in electronic readable format in the computer, said assets including reinsurers' obligations associated with the liabilities (King; column 7, lines 22-25, column 9, lines 45-52, column 20, lines 8-21);

d) receiving at least a portion of the assets of the insolvent Insurance Company, including rights to the insolvent Insurance Company's reinsurers' obligations associated with the liabilities (King; see at least column 7, line 8 to column 8, line 67).

King fails to explicitly disclose

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c) guaranteeing the payment of the fixed dividend to claimants or insureds of the insolvent Insurance Company when said allowed claims mature.

However, the above features are well-known in the art, as evidenced by Schwab.

In particular, Schwab teaches

c) guaranteeing the payment of a fixed dividend or payment to claimants or insureds of the insolvent Insurance Company "to allow ... contingent claims to participate in the final distribution of assets" (reads on "when said allowed claims mature") (Schwab; see at least page 176, lines 37-39).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of paying an insolvent Insurance Company's liabilities of King to include guaranteeing the payment of a fixed dividend to claimants or insureds of the insolvent Insurance Company, as taught by Schwab, with the motivation of protecting the interests of the insurance company's claimants, policyholders, creditors, and the general public (Schwab; page 176, lines 40-41).

Although King teaches calculating by the computer (King; column 9, lines 45-52), King fails to explicitly disclose

b) a fixed dividend based on the stored values of the assets and liabilities, wherein said dividend is calculated as a percentage of estimated allowed mature claims, the percentage being a function of said stored values and a reinsurer risk factor.

However, the above features are well-known in the art, as evidenced by Hall.

In particular, Hall teaches



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b) calculating a payment (reads on fixed dividend) based on the stored values of the assets and liabilities, wherein said dividend or payment is calculated as a percentage of estimated long-tailed claims (reads on "allowed mature claims"), the percentage being a function of said stored values and a discount factor (reads on "reinsurer risk factor") (Hall; page 1, paragraphs 2, 8, 10, 11, page 2, paragraph 1).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of paying an insolvent Insurance Company's liabilities of King to include calculating a fixed dividend based on the stored values of the assets and liabilities, wherein said dividend is calculated as a percentage of estimated allowed mature claims, the percentage being a function of said stored values and a reinsurer risk factor, as taught by Hall, with the motivation of providing an effective mechanism for handling insurance receiverships by establishing a uniform, fair and more efficient means of administering insurance insolvencies (Hall; page 1, paragraph 6).

(B) Claim 2 has been amended to include the recitation of

- ♦ "by the computer" in line 2;
- ♦ "determining" in line 3; and
- ♦ "multiplying the reinsurer risk factor to the reinsurers' obligations" in lines 4-5.

As per claims 2-3, King, Schwab and Hall teach a method as analyzed and discussed in claim 1 above,

wherein said dividend is calculated by the computer by at least adding the value of the insolvent Insurance Company property (reads on assets), including determining the expected

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present value of the reinsurers' obligations by multiplying the discount factor (reads on "reinsurer risk factor") to the reinsurers' obligations, and dividing by the expected present value of associated claims against the Insurance Company (King; column 5, lines 9-21, column 7, line 8 to column 8, line 67, column 9, line 31 to column 10, line 49, column 21, lines 2-7), (Schwab; see at least page 176, lines 5-44), (Hall; page 1, paragraphs 2, 8, 10, 11, page 2, paragraph 1); and

further comprising setting aside assets to cover administrative costs of the Insurance Company before calculating said dividend (King; column 5, lines 9-21, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27), (Hall; page 1, paragraphs 2, 8, 10, 11, page 2, paragraph 1).

The motivations for combining the respective teachings of King, Schwab and Hall are as given in the rejection of claim 1 above, and incorporated herein.

11. Claims 4-9 are rejected under 35 U.S.C. 103(a) as being unpatentable over King et al., U.S. Patent Number 5, 704, 045 in view of Schwab, S., "Reinsurer Liability For Contingent Claims," The International Journal Of Insurance Law 1997, Vol 4, pp 28-39; 175-178, hereinafter known as Schwab, and further in view of Hammond et al., U.S. Patent Number 5, 712, 984.

(A) Claim 4 has been amended to include the recitation of

- ♦ "with a computer" in line 4;
- ♦ "using computer-based models stored in the computer" in line 5;
- ♦ "by applying a reinsurer risk factor" in lines 6-7;

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- ♦ "with the computer" in lines 8, 11, and 13;
- ♦ "by an Indemnifying Agent" in line 14;
- ♦ "for payment when said claims mature" in line 16.

As per newly amended claim 4, King teaches a computer-based method of reinsuring an insolvent Insurance Company's liabilities comprising:

- a) estimating a value of the Insurance Company's assets (King; see at least Figure 1, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, lines 5-16);
- b) estimating with a computer a value of claims of insureds against the Insurance Company (King; see at least Figure 1, column 7, line 8 to column 8, line 67, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, lines 5-16);
- c) evaluating obligations of reinsurers against said claims by applying a reinsurer risk factor (King; column 8, lines 19-32, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, lines 5-16);
- d) determining with the computer the shortfall or insufficiency of the assets including the reinsurers' obligations to cover said claims and administrative costs associated with said claims (King; column 4, lines 10-17, column 7, line 8 to column 8, line 32, column 20, lines 8-21);
- e) determining with the computer a guaranteed payment rate of said claims as a function of said shortfall and storing said payment rate in electronic readable format in the computer (King; column 7, line 8 to column 8, line 32, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, line 30 to column 23, line 6); and

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g) assigning or transferring at least a portion of said assets and reinsurers' obligations to government approved fiduciary parties (reads on "Indemnifying Agent") (King, column 7, lines 27-29).

King fails to explicitly disclose

f) indemnifying by an Indemnifying Agent at least a portion of the Insurance Company's liabilities for said claims at said guaranteed payment rate for payment when said allowed claims mature.

However, the above features are well-known in the art, as evidenced by Schwab.

In particular, Schwab teaches

f) indemnifying by a reinsurer (reads on "an Indemnifying Agent") at least a portion of the Insurance Company's liabilities for said claims at said guaranteed payment rate for payment "to allow ... contingent claims to participate in the final distribution of assets" (reads on "when said allowed claims mature") (Schwab; see at least page 176, lines 35-39).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of King to include indemnifying by an Indemnifying Agent at least a portion of the Insurance Company's liabilities for said claims at said guaranteed payment rate for payment when said allowed claims mature, as taught by Schwab, with the motivations of protecting the interests of claimants, abbreviating the delay in paying claimants, reducing administrative expenses and lightening the burden of insolvency (Schwab; page 176, lines 13-44).

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King fails to explicitly disclose using computer-based models stored in the computer.

However, the above features are well-known in the art, as evidenced by Hammond.

In particular, Hammond teaches using computer-based models stored in the computer (Hammond; see at least Abstract, Figure 1, column 2, lines 14-34, column 3, line 24 to column 4, line 10, column 22, lines 7-30).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of King to include using computer-based models stored in the computer as taught by Hammond, with the motivation of providing a standardized method for more accurately forecasting which would allow both insurers to budget and forecast more accurately and thus to reduce losses (Hammond; column 2, lines 6-11).

(B) As per claims 5-9, King, Schwab and Hammond teach a computer-based method of reinsuring an insolvent Insurance Company's liabilities as analyzed and discussed in claim 4 above,

further comprising:

assigning to said claims a plurality of priorities and determining a plurality of payment rates to correspond to said claims depending on the priority assigned to the claim (King; column 13, lines 5-16);

assigning an upper limit on an aggregate amount the Indemnifying Agent is liable for said claims (King; column 3, lines 31-46, column 4, lines 10-45, column 7, line 8 to column 8, line 67, column 14, lines 41-57);

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assigning to said Indemnifying Agent all assets or property of the insurance company (reads on rights of the Insurance Company for any salvage or subrogation to which the Insurance Company is entitled) (King; column 5, lines 9-21, column 7, line 8 to column 8, line 67, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27), (Schwab; see at least page 32, lines 3-23, page 176, lines 5-44); and

assigning to the Indemnifying Agent all assets or property of the insurance company (reads on a security interest in at least some of the Insurance Company's rights in secured or special deposits or similar fund held by any state, trusts, letters of credit, and other security due to or held in the Insurance Company's favor) (King; column 5, lines 9-21, column 7, line 8 to column 8, line 67, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27), (Schwab; see at least page 32, lines 3-23, page 176, lines 5-44); and

appointing a Deputy Liquidator to administer the Insurance Company (King; column 7, line 8 to column 8, line 67).

The motivations for combining the respective teachings of King, Schwab and Hammond are as given in the rejection of claim 4 above, and incorporated herein.

12. Claims 10-11 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hammond et al., U.S. Patent Number 5, 712, 984 in view of King et al., U.S. Patent Number 5, 704, 045 for substantially the same reasons given in the previous Office Action (paper number 07012004). Further reasons appear hereinbelow.

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(A) Claim 10 has been amended to include the recitation of

- ♦ "with a computer" in lines 3, 11 and 15;
- ♦ "in the computer" in lines 8, 20;
- ♦ "by applying a reinsurer risk factor " in line 14; and
- ♦ "when said claims mature" in line 22.

As per claims 10-11, Hammond teaches a software method for reinsuring an insolvent Insurance company's liabilities using a computer, said method comprising:

- a) generating with a computer one or more statistical models representative of known cost values based on significant characteristics of historical insurance claims representative of immature insurance claims against the Insurance Company (Hammond; see at least Abstract, Figure 1, column 2, lines 14-34, column 3, line 24 to column 4, line 10);
- b) storing said statistical models in electronic readable format in a first electronic memory storage area in the computer (Hammond; see at least Abstract, Figure 1, column 2, lines 14-34, column 3, line 24 to column 4, line 10, column 22, lines 7-30);
- c) determining significant characteristics of said insurance claims for unstated amounts and applying said models to said insurance claims for unstated amounts to estimate with the computer the actual losses anticipated for those claims (Hammond; see at least Abstract, column 2, lines 14-56);

Hammond fails to explicitly disclose

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d) determining the expected amount of the reinsurers' obligations on the insurance claims for unstated amounts and calculating the present value of the reinsurers' obligations by applying a reinsurer risk factor;

e) calculating with the computer a guaranteed payment rate against said claims as a function of the Insurance Company assets, the present value of the reinsurers' obligations and the present value of underlying claims against the insurance company;

f) storing the guaranteed payment rate in electronic readable format in a second electronic memory storage area in the computer; and

g) indemnifying the insolvent Insurance Company against the claims at at the guaranteed payment rate when said claims mature in exchange for the rights to the Insurance Company's assets and reinsurers' obligations and

further comprising setting aside assets for administrative costs before calculating the guaranteed payment rate.

However, the above features are well-known in the art, as evidenced by King.

In particular, King teaches

d) determining the expected amount of the reinsurers' obligations on the insurance claims for unstated amounts and calculating the present value of the reinsurers' obligations by applying a reinsurer risk factor (King; column 8, lines 19-32, column 10, lines 33-36, column 20, line 64 to column 21, line 14);

e) calculating with the computer a guaranteed payment rate against said claims as a function of the Insurance Company assets, the present value of the reinsurers' obligations and the present value of underlying claims against the insurance company (King; see at least column 7,



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line 8 to column 8, line 32, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, line 30 to column 23, line 6);

f) storing the guaranteed payment rate in electronic readable format in a second electronic memory storage area in the computer (King; column 7, line 8 to column 8, line 32, column 9, line 30 to column 10, line 49, column 20, lines 8-21, column 22, line 30 to column 23, line 6);

g) indemnifying the insolvent Insurance Company against the claims at at the guaranteed payment rate when said claims mature in exchange for the rights to the Insurance Company's assets and reinsurers' obligations (King; column 5, lines 9-21, column 7, line 8 to column 8, line 67, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27); and

further comprising setting aside assets for administrative costs before calculating the guaranteed payment rate (King; column 5, lines 9-21, column 9, line 31 to column 10, line 49, column 20, line 25 to column 22, line 27).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of Hammond to include determining the expected amount of the reinsurers' obligations on the insurance claims for unstated amounts and calculating the present value of the reinsurers' obligations by applying a reinsurer risk factor; calculating with the computer a guaranteed payment rate against said claims as a function of the Insurance Company assets, the present value of the reinsurers' obligations and the present value of underlying claims against the insurance company; storing the guaranteed payment rate in electronic readable format in a second electronic memory storage area in the computer; and indemnifying the insolvent

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Insurance Company against the claims at the guaranteed payment rate when said claims mature in exchange for the rights to the Insurance Company's assets and reinsurers' obligations and further comprising setting aside assets for administrative costs before calculating the guaranteed payment rate, as taught by King, with the motivations of enabling adequate funds to be provided by various classes of investors to accept risks not efficiently transferable in existing markets while providing assurance that all claims will be paid from its segregated assets, thus providing a comparatively higher quality assurance of risk transfer (King; column 3, lines 12-17, 40-44).

13. Newly added claims 12-15 are rejected under 35 U.S.C. 103(a) as being unpatentable over King et al., U.S. Patent Number 5, 704, 045 in view of Schwab, S., "Reinsurer Liability For Contingent Claims," The International Journal Of Insurance Law 1997, Vol 4, pp 28-39; 175-178, hereinafter known as Schwab, and Hall, R., "Alternatives to Estimation of Claims and Acceleration of Reinsurance Recoverables: The Uniform Receivership Law," (1999), URL:<<http://www.robertmhall.com/articles/k.htm>>, hereinafter known as Hall, as applied to claim 1 above, and further in view of Jenkins, T. "Risk in the Insurance Sector," (1999), URL:<[http://www.apra.gov.au/RePEc/RePEcDocs/Archive/conference\\_papers1/risk\\_insurance\\_sector.pdf](http://www.apra.gov.au/RePEc/RePEcDocs/Archive/conference_papers1/risk_insurance_sector.pdf)>, hereinafter known as Jenkins.

(A) As per newly added claims 12 and 14, King, Schwab and Hall teach a method as analyzed and discussed in claim 1 above.

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King, Schwab and Hall fail to explicitly disclose wherein said reinsurer risk factor includes a credit risk factor related to the creditworthiness of the reinsurers and a payment lag factor related to the timeliness of payments of said reinsurers' obligations.

However, the above features are well-known in the art, as evidenced by Jenkins. In particular, Jenkins teaches said reinsurer risk factor includes a credit risk factor related to the creditworthiness of the reinsurers and a payment lag factor related to the timeliness of payments of said reinsurers' obligations (Jenkins; page 42, column 2, paragraph 3, page 46, column 1, paragraph 2, lines 1-4, column 2, paragraphs 6-8).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of King, Schwab and Hall to include wherein said reinsurer risk factor includes a credit risk factor related to the creditworthiness of the reinsurers and a payment lag factor related to the timeliness of payments of said reinsurers' obligations, as taught by Jenkins, with the motivation of enabling an insurer to price for risk, adjust its prices in the light of experience, and match the risk it retains with its capacity to meet claims in reasonably likely circumstances, thus operating a sound and adaptive business (Jenkins; page 46, column 2, lines 1-5).

The motivations for combining the respective teachings of King, Schwab, and Hall are as given in the rejection of claim 1 above, and incorporated herein.

(B) As per newly added claims 13, 15 King, Schwab, Hall and Jenkins teach a method as analyzed and discussed in claims 1 and 12 above

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wherein calculating the fixed dividend further is based on a factor for a return on capital (reads on investment) (Jenkins; page 42, column 2, paragraph 3); and

further comprising undertaking "scenario testing" (reads on determining multiple scenarios for the ultimate amounts of liabilities), examining "the impact of a number of different scenarios" (reads on determining the reinsurers' obligations for each scenario, associating a probability of occurrence with each scenario, and determining a probability weighted expected present value of the reinsurers' obligations) (Jenkins; page 68, column 1, lines 10-15).

14. Newly added claims 16-20 are rejected under 35 U.S.C. 103(a) as being unpatentable over King et al., U.S. Patent Number 5, 704, 045 in view of Schwab, S., "Reinsurer Liability For Contingent Claims," The International Journal Of Insurance Law 1997, Vol 4, pp 28-39; 175-178, hereinafter known as Schwab, and Hammond et al., U.S. Patent Number 5, 712, 984, as applied to claim 4 above, and further in view of Jenkins, T. "Risk in the Insurance Sector," (1999), URL: <[http://www.apra.gov.au/RePEc/RePEcDocs/Archive/conference\\_papers1/risk\\_insurance\\_sector.pdf](http://www.apra.gov.au/RePEc/RePEcDocs/Archive/conference_papers1/risk_insurance_sector.pdf)>, hereinafter known as Jenkins.

(A) As per newly added claim 16, King, Schwab and Hammond teach a method as analyzed and discussed in claim 4 above.

King, Schwab and Hammond fail to explicitly disclose wherein said reinsurer risk factor includes a credit risk factor related to the creditworthiness of the reinsurers and a payment lag factor related to the timeliness of payments of said reinsurers' obligations.

However, the above features are well-known in the art, as evidenced by Jenkins.

In particular, Jenkins teaches said reinsurer risk factor includes a credit risk factor related to the creditworthiness of the reinsurers and a payment lag factor related to the timeliness of payments of said reinsurers' obligations (Jenkins; page 42, column 2, paragraph 3, page 46, column 1, paragraph 2, lines 1-4, column 2, paragraphs 6-8).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the method of King, Schwab and Hammond to include wherein said reinsurer risk factor includes a credit risk factor related to the creditworthiness of the reinsurers and a payment lag factor related to the timeliness of payments of said reinsurers' obligations, as taught by Jenkins, with the motivation of enabling an insurer to price for risk, adjust its prices in the light of experience, and match the risk it retains with its capacity to meet claims in reasonably likely circumstances, thus operating a sound and adaptive business (Jenkins; page 46, column 2, lines 1-5).

The motivations for combining the respective teachings of King, Schwab, and Hammond are as given in the rejection of claim 4 above, and incorporated herein.

(B) As per newly added claims 17-20, King, Schwab, Hammond and Jenkins teach a method as analyzed and discussed in claims 4 and 16 above

wherein evaluating said reinsurers' obligations further comprises undertaking "scenario testing" (reads on determining multiple scenarios for the ultimate amounts of liabilities), examining "the impact of a number of different scenarios" (reads on determining the reinsurers' obligations for each scenario, associating a probability of occurrence with each scenario, and

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determining a probability weighted expected present value of the reinsurers' obligations for use in determining said shortfall) (Jenkins; page 68, column 1, lines 10-15);

wherein determining with the computer a guaranteed payment rate further comprises applying a factor for a return on capital (reads on investment) required by the Indemnifying Agent (Jenkins; page 42, column 2, paragraph 3);

wherein said reinsurer risk factor includes a credit risk factor related to an estimated creditworthiness of the reinsurers and a payment lag factor related to the timeliness of payments of said reinsurers' obligations (Jenkins; page 42, column 2, paragraph 3, page 46, column 1, paragraph 2, lines 1-4, column 2, paragraphs 6-8);

wherein determining the expected amount of the reinsurers' obligations on the insurance claims for unstated amounts and calculating the present value of the reinsurers' obligations further comprises undertaking "scenario testing" (reads on determining multiple scenarios for the ultimate amounts of insurance claims), examining "the impact of a number of different scenarios" (reads on determining the reinsurers' obligations for each scenario, associating a probability of occurrence with each scenario, and determining a probability weighted expected present value of the reinsurers' obligations) (Jenkins; page 68, column 1, lines 10-15).

### ***Response to Arguments***

15. Applicant's arguments filed 18 January 2005 and 18 February 2005 have been fully considered but they are not persuasive. Applicant's arguments will be addressed hereinbelow in the order in which they appear in the responses filed 18 January 2005 and 18 February 2005.

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(A) At page 7 of the 18 February 2005 response, Applicant notes "the amendments and new claims are supported by the originally filed application, including U.S. Patent No. 5, 613, 072, which was incorporated by reference into the present application." Examiner respectfully notes that Examiner was unable to find any support for this incorporation within the specification as originally filed on 13 March 2000. Applicant is respectfully requested to clarify the above incorporation issue and to specifically point out the document where this incorporation by reference occurred.

(B) At pages 7-8 of the 18 February 2005 response, Applicant argues that the amendment of 18 February 2005 overcame the rejections under 35 U.S.C. 101. Examiner agrees and has withdrawn the rejections under 35 U.S.C. 101.

(C) At pages 9-10 of the 18 February 2005 response, Applicant argues that the limitations of claim 1 are not taught or suggested by the applied references. In response, all of the limitations which Applicant disputes are missing in the applied references, including the newly amended limitations, have been fully addressed by the Examiner as either being fully disclosed or obvious in view of the teachings of King, Schwab, Hall, Hammond and Jenkins, based on the logic and sound scientific reasoning of one ordinarily skilled in the art at the time of the invention, as detailed in the 35 USC § 103 rejections given in the preceding sections of the present Office Action and in the prior Office Action (paper number 07012004), and incorporated herein.

With respect to Applicant's arguments at pages 9-10 of the 18 February 2005 response that the applied references fail to disclose payment being adjusted by "a reinsurer risk factor", as recited in claim 1 (b), Examiner respectfully notes that these arguments are moot in view of the new grounds of rejection.

With respect to Applicant's arguments at pages 9-10 of the 18 February 2005 response that the applied references fail to disclose "receiving at least a portion of the assets of the insolvent Insurance Company, including rights to the insolvent Insurance Company's reinsurers' obligations associated with the liabilities", as recited in claim 1(d), Examiner interprets King's teachings of "clearly delineate the insurer-entity's obligations to parties who have transferred risk, investors, and other participants" and "transfer assets ... [...] ... to the custody of government approved fiduciary parties [reads on "Indemnifying Agent"] ..." (King, column 7, lines 23-29) as reading on the above argued limitation. Furthermore, King teaches "[t]he present subsystem permits investors to provide funds to support risks through a method of individual investors acting as reinsurers, where the insurer-entity credits premium, loss reserves, investment income, etc. to the account of the investor... book these transactions as reinsurance transactions, accepting premium income and expenses, less losses, having some tax related or accounting advantage. Liability may be limited to a deposit advanced by the investor or may be unlimited, however the insurer-entity maintains at all times the ability to fully meet the maximum obligation" (King; column 14, lines 41-52) which Examiner interprets as teaching transferring



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assets and risk or uncertainty regarding future loss to "individual investors [reads on "Indemnifying Agent"] acting as reinsurers."

With respect to Applicant's arguments at page 10 in paragraph 1 of the 18 February 2005 response that the King references "teaches away from the present invention of claim 1," Examiner respectfully disagrees for the reasons discussed above. Furthermore, with respect to Applicant's examples of King's "teaching away" as quoted in the last paragraph on page 10 of the February 2005 response, i.e., that the King reference teaches "prohibiting.... [...] ... assets" and "prohibiting ... [...] ... insurer-entity," Examiner respectfully notes that these prohibitions are prefaced by the words "these modifications result in the ability to:" making them not required by, but rather possibilities of the invention, and Examiner further notes that they, as well, are part of only one embodiment of the King invention. In addition, Examiner notes that, Applicant fails to consider the entire paragraphs noted and focuses on only two lines within the paragraphs, taking them out of context. Furthermore it is the combined applied references, and not merely two lines within one reference that teach Applicant's limitations.

With respect to Applicant's arguments at page 11 of the 18 February 2005 response that the applied references fail to disclose "abolishes any prior segregation of reserved assets by transferring them to an indemnifying agent, (i.e. private liquidator)", Examiner respectfully notes that this is not a claimed limitation. However, Examiner notes that King teaches "[t]he present subsystem permits investors to provide funds to support risks through a method of individual investors acting as reinsurers, where the insurer-entity credits premium, loss reserves, investment

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income, etc. to the account of the investor" (King; column 14, lines 41-52) which Examiner interprets as teaching transferring assets and risk to "individual investors [reads on "Indemnifying Agent"] acting as reinsurers."

With respect to Applicant's arguments at page 11 of the 18 February 2005 response that the applied references fail to disclose "guaranteeing the payment of a fixed dividend or payment to claimants or insureds of the insolvent Insurance Company," Examiner respectfully disagrees, noting that the Schwab reference teaches "empowered the liquidator ... and provided for the corresponding collection of reinsurance recoverable that may be due on the claims ...[and] ... protect the interests of claimants with contingent claims ...[and] ... abbreviate the delay in making final payment to claimants ...[and] ... lighten the burden of ...[the]... insolvency and the estate could be closed ... [more quickly]" (emphasis added) and also teaches "the court ... held that the liquidator was empowered to present contingent claims... on behalf of future claimants . The decision thus allows the liquidator to estimate the value of IBNKR losses in order to allow such contingent claims to participate in the final distribution of assets." Examiner notes that Schwab further teaches that "'contingent claims...could participate in a distribution of assets 'if properly presented' to the court." Examiner interprets Schwab's teaching of the final dividend plan issued by the courts together with protecting the interests of claimants, abbreviating the delay in paying claimants, reducing administrative expenses and lightening the burden of insolvency as reading on this limitation (Schwab; see at least page 176, lines 5-44). Furthermore, Examiner interprets Schwab's teaching of "collection of reinsurance recoverable" which is provided for by the liquidator as being a fixed and guaranteed payment paid to

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claimants. In addition, it is respectfully submitted that Appellant is not the first to have invented guaranteeing the payment of a fixed dividend, and that this feature existed in the art prior to Appellant's invention, and thus would have been within the knowledge of the skilled artisan. The issue at hand is not whether the applied references specifically teaches the features (e.g., guaranteeing the payment of a fixed dividend or payment to claimants or insureds of the insolvent Insurance Company) recited by Appellant, *per se*, but rather, whether or not the prior art, when taken in combination with the knowledge of average skill in the art, would put the artisan in possession of the features as claimed. With regard to this issue, the courts have held that even if a patent does not specifically disclose a particular element, said element being within the knowledge of a skilled artisan, the patent taken in combination with that knowledge, would put the artisan in possession of the claimed invention. *In re Graves*, 36 USPQ 2d 1697 (Fed. Cir. 1995).

With respect to Applicant's arguments at page 12 of the 18 February 2005 response that the applied references fail to teach that claims are paid as a percentage of the "NOD, which is made when a mature claim is no longer contingent," Examiner respectfully notes that this is not a claimed limitation.

At pages 8-15 of the 18 February 2005 response, Applicant analyzes the applied references separately and argues each of the references individually. In response to Applicant's arguments against the references individually, one cannot show nonobviousness by attacking references individually where the rejections are based on combinations of references. See *In re*

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*Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981); *In re Merck & Co.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986). In addition, the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981).

With respect to Applicant's arguments at pages 12-13 of the 18 February 2005 response that the motivations for combining the references "would teach away from the present invention," Examiner notes that modern case law has clearly and explicitly held that in order for the references to be combined the references need not explicitly teach or suggest every element of the combination as well as how to use such a combination. For example, the Court in *In re Fritch* stated "[The Examiner] can satisfy this burden only by showing some objective teaching in the prior art or that knowledge generally available to one of ordinary skill in the art would lead that individual to combine the relevant teachings of the references. [emphasis added]" *In re Fine*, 837 F.2d 1071, 1074, 5 USPQ 2d 1596, 1598 (Fed. Cir. 1988) (citing *In re Lulu*, 747 F.2d 703, 705, 223 USPQ 1257, 1258 (Fed. Cir. 1988)). Each applied reference does not expressly suggest combination with the other respective references; however, the Examiner has shown that motivation for combining the references existed in the prior art.

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In the instant case, the Examiner respectfully notes that each and every motivation to combine the applied references is accompanied by select portions of the respective reference(s) which specifically support that particular motivation, however the motivations to combine references need not be identical to Applicant's motivations for creating the claimed invention. As such, it is NOT seen that the Examiner's combination of references is unsupported by the applied prior art of record or that the motivations stated for combining references teaches away from the present invention. Rather, it is respectfully submitted that explanation for combining references based on the logic and scientific reasoning of one ordinarily skilled in the art at the time of the invention that support a holding of obviousness has been adequately provided by the motivations and reasons indicated by the Examiner, *Ex parte Levengood* 28 USPQ 2d 1300 (Bd. Pat. App. & Inter., 4/22/93).

With respect to Applicant's arguments at pages 14-15 of the 18 February 2005 response that the applied references fail to disclose applying "a reinsurer risk factor," as recited in amended claims 4 and 10, Examiner respectfully notes that these arguments are moot in view of the new grounds of rejection.

With respect to Applicant's arguments at page 16 of the 18 February 2005 response that the applied references fail to disclose limitations presented in newly added claims 12-20, Examiner respectfully notes that these arguments are moot in view of the new grounds of rejection.

### ***Conclusion***

16. Any response to this action should be mailed to:

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**Commissioner of Patents and Trademarks  
Washington D.C. 20231**

or faxed to: (703) 305-7687.


For informal or draft communications, please label  
"PROPOSED" or "DRAFT" on the front page of the  
communication and do NOT sign the communication.

After Final communications should be labeled "Box AF."


17. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Natalie A. Pass whose telephone number is (571) 272-6774. The examiner can normally be reached on Monday through Thursday from 9:00 AM to 6:30 PM. The examiner can also be reached on alternate Fridays.

18. If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas, can be reached at (571) 272-6776. Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the Receptionist whose telephone number is (571) 272-3600.

19. Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

  
Natalie A. Pass

May 3, 2005

  
JOSEPH THOMAS  
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